

2010), Docket Nos. T-02871A-10-0338 *et al.* However, should COPT certificate holders be subject to the Affiliated Interests Rules, STI requests that the Commission grant STI authority under A.A.C. R14-2-803 for the indirect change of control that will result from the acquisition of its current ultimate parent to Connect.

In support of this Application, STI states as follows:

I. DESCRIPTION OF PARTICIPANTS.

A. Securus Technologies, Inc.

STI is a Delaware corporation with its principal place of business at 14651 Dallas Parkway, 6th Floor, Dallas, Texas 75254. STI is a privately held and wholly-owned subsidiary of Securus Technologies Holdings, Inc. ("STHI"), which is a State of Delaware corporation. STHI is in turn a wholly-owned subsidiary of SHI, also a Delaware corporation. SHI is in turn a subsidiary of STI Technology Holdings, LLC ("STITH"). STHI, SHI and STITH are not operational providers of telecommunications services in the State of Arizona or elsewhere. The ultimate controlling interests in SHI are held by H.I.G.-T-NETIX, Inc. ("HIG"), which is an affiliate of H.I.G. Capital, LLC ("HIGC"), a Miami-based private equity firm.

As noted above, STI holds a COPT Certificate of Convenience in Arizona (Decision No. 60924). Pursuant to that authorization, STI is currently providing telecommunications services to a number of confinement and correctional facilities in the State of Arizona.

B. Connect Acquisition Corp.

Connect is a newly-formed corporation established for purposes of acquiring SHI from HIG. Connect is a controlled affiliate of Castle Harlan Capital Partners V, L.P. ("Castle Partners"), which is managed by Castle Harlan, Inc. ("Castle Harlan"), a New York-based investment firm. Castle Harlan, founded in 1987, invests in controlling interests in the buyout and development of middle-market companies principally in North America. Its team of 18 investment professionals has completed over 50 acquisitions since its inception with a total value of approximately \$10 billion. Castle Harlan currently manages investment funds with equity

commitments of approximately \$3.5 billion. Castle Harlan and its affiliates are not direct providers of telecommunications services.

II. DESCRIPTION OF UNDERLYING ACQUISITION TRANSACTION.

A. General Description of Merger Agreement – SHI has entered into an Agreement and Plan of Merger, dated April 8, 2011 among (a) Connect, (b) Connect Merger Corp. (“Connect Merger Sub”), and (c) STITH (“Merger Agreement”). A more detailed description of the terms of the Merger Agreement is set out below, but upon the completion of the proposed transaction STI will be a wholly-owned, indirect subsidiary of Connect.

B. Details of Proposed Transaction – The below description of the proposed transaction includes the following:

- a. The current ownership structure of STI and its affiliates.
- b. The acquiring entities involved in the merger.
- c. The merger process.
- d. The resulting ownership structure of STI and its affiliates.
- e. Details of the financing of the transaction.

a. **Current Ownership** – As noted above, SHI is a Delaware corporation and sole shareholder of STHI, also a Delaware corporation. STHI has two wholly-owned, direct subsidiaries that are both Delaware corporations: STI and T-NETIX, Inc. (“TNI”).³ Attachment A hereto shows the existing ownership structure of STI.

b. **Acquiring Entities** – Connect Merger Sub is a Delaware corporation and wholly-owned subsidiary of Connect.

c. **The Merger Process** – The proposed indirect transfer of STI will occur through a merger with Connect Merger Sub, which will include the following steps:

³ TNI is in turn the parent of T-NETIX Telecommunications Services, Inc., which is in turn the parent of TELEQUIP Labs, Inc. (“TELEQUIP”). TNI, TNSI and TELE QUIP are not providers of telecommunications services in the State of New York.

(i) Connect has formed Connect Merger Sub solely for the purpose of effecting the proposed transaction.

(ii) Connect Merger Sub shall merge with and into SHI. Upon completion of this merger, the separate existence of Connect Merger Sub will cease and SHI will be the surviving corporation.

d. **The Resulting Ownership Structure** – Upon completion of the proposed transaction, the current existing, intercorporate relationships between SHI, STHI and STI shall remain unchanged. However, SHI will become a wholly-owned subsidiary of Connect. Attachment B hereto shows the post-merger-closing ownership structure of STI.

III. REQUEST FOR APPROVAL.

To finance the acquisition of SHI, Connect has arranged a six-year first lien term credit facility, a seven-year second lien term credit facility, a five-year revolving credit facility, and a related incremental facility which will permit the borrowing of up to \$375.0 million from a syndicate of financial institutions arranged by BNP Paribas Securities Corp. ("BNP") and/or one or more of its affiliates with STI as the borrower upon consummation of the acquisition. Pursuant to the financing arrangement, SHI and one or more of its affiliates (collectively, the "Guarantors") will guarantee (other than STI, which will be the borrower) the obligations under the credit facilities. BNP Paribas and/or one or more of its affiliates, for the benefit of the financial institution syndicate, will be granted a security interest in substantially all of the tangible and intangible assets of STI and the Guarantors, including (i) all of the outstanding equity interest of STI and (ii) the assets of STI used to provide inmate telephone services in Arizona. As a result, STI seeks authority under A.R.S. 40-285.A for the pledge and encumbrance of assets by STI contemplated by the financing arrangements.

IV. PUBLIC INTEREST CONSIDERATIONS.

The proposed financing arrangements will serve the public interest because they will provide financing for Connect to acquire SHI. By enabling the acquisition of SHI, the financing arrangements will enable the combined entity to enhance and expand its Arizona COPT service,

1 including its Arizona inmate telephone services. The proposed financing arrangements will not
2 affect the rates, terms and conditions under which STI presently offers service in Arizona. Future
3 changes in the rates, terms and conditions of service to STI's customers, if any, will be undertaken
4 pursuant to the applicable federal and state notice and tariff requirements and STI's contractual
5 obligations. The financing arrangements will also not result in an interruption or disruption of
6 service, and will be seamless and transparent to customers.

7 The financing arrangements described above are necessary and appropriate and are
8 consistent with STI's performance of its services to the public. Further, the arrangements should
9 not impair the ability of STI to perform its services and will promote the enhanced deployment of
10 its services in Arizona by enabling the acquisition of STI by Connect. By increasing the breadth
11 and scope of STI's services, the financing transaction will ultimately inure to the benefit of
12 Arizona consumers. As such, the proposed financing transactions are in the public interest.

13 **V. CONCLUSION.**

14 **WHEREFORE**, for the reasons stated herein, STI submits that the public interest,
15 convenience, and necessity will be furthered by Commission approval of this Application to
16 enable STI to participate in the financing arrangements as described herein.

17 RESPECTFULLY SUBMITTED this 25th day of April 2011.

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19
20 By 

21 Michael W. Patten
22 Roshka DeWulf & Patten, PLC
23 One Arizona Center
24 400 East Van Buren Street, Suite 800
25 Phoenix, Arizona 85004

26 and

27 Paul C. Besozzi
Patton Boggs LLP
2550 M Street, N.W.
Washington, D.C. 20037
(202) 457-5292 (Telephone)

ROSHKA DeWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

(202) 457-6315 (Facsimile)
Email Address: pbsozzi@pattonboggs.com

Of Counsel

Attorneys for Securus Technologies, Inc.

Original and 13 copies of the foregoing
filed this 12th day of April 2011 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

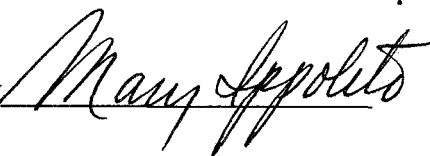
Copy of the foregoing hand-delivered/mailed
this 12th day of April 2011 to:

Lyn Farmer, Esq.
Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Janice M. Alward, Esq.
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

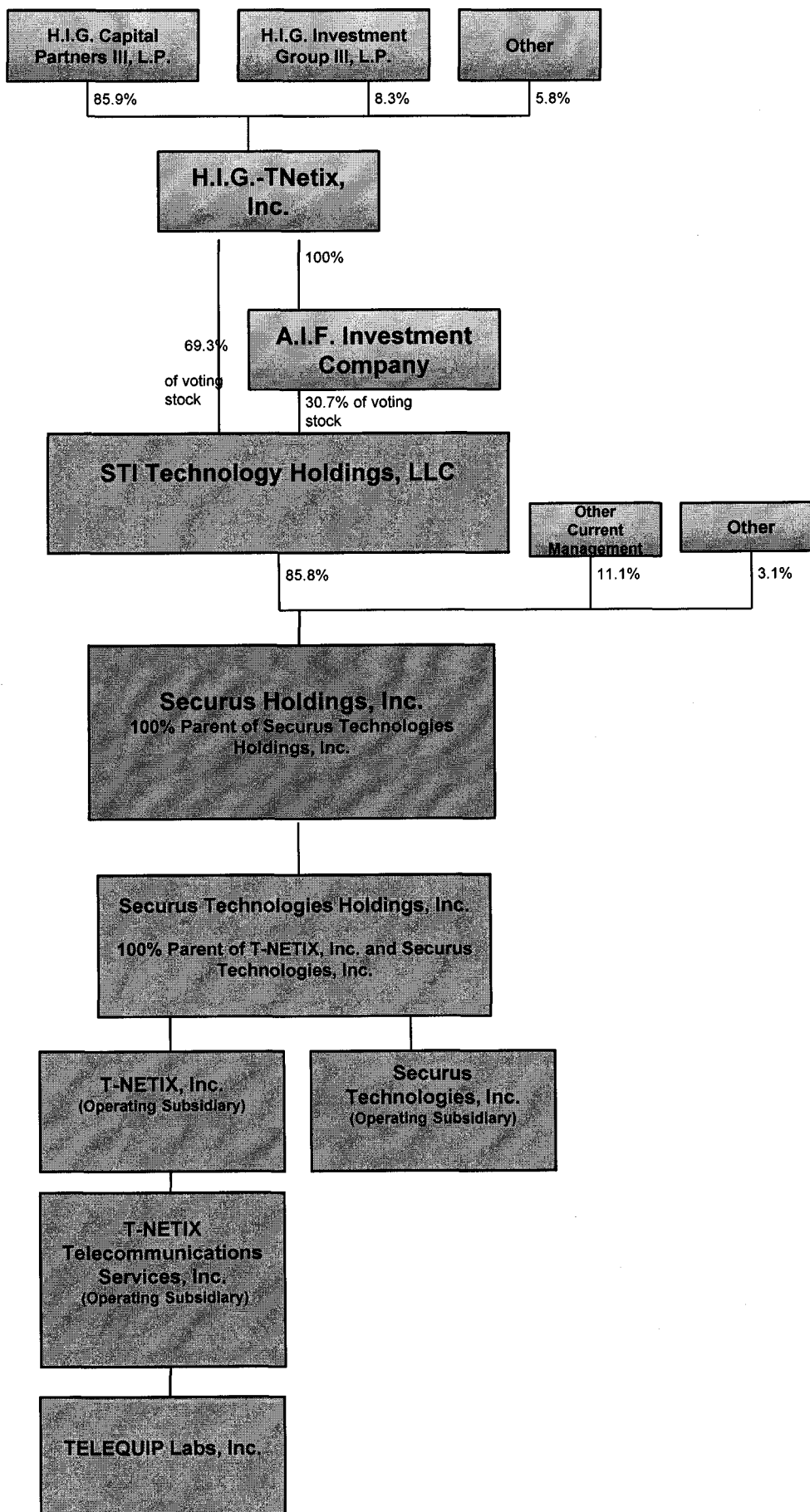
Steve Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

By



ATTACHMENT

"A"



ATTACHMENT

"B"

Final Structure

